

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA
UNSTARRED QUESTION No. 2203

TO BE ANSWERED ON MONDAY, DECEMBER 9, 2024/AGRAHAYANA 18, 1946 (SAKA)

Reduction of Entry Age and Increase in Premium Amount in LIC

2203. Shri Janardan Singh Sigriwal:

Shri Chintamani Maharaj:

Will the Minister of FINANCE be pleased to state:

- (a) whether the LIC has reduced entry age for its new endowment plan from 55 years to 50 years and if so, the reasons therefor;
- (b) whether LIC has also made provision to make the insurance amount minimum of Rs. 2 lakh instead of Rs. 1 lakh and if so, the reaction of the Government thereto keeping in view poor people in villages are unable to afford higher amount of insurance;
- (c) whether there has been no increase in the commission given to agents since 1956, rather it has been reduced to 7 percent, due to which their financial condition has become miserable and if so, the corrective measures taken/proposed to be taken by the Government in this regard;
- (d) whether it is true that the insurance holder's bonus has not increased for the last ten years despite LIC makes profit every year and if so, the details thereof and the reasons therefor;
- (e) whether LIC has introduced clawback clause to recover the agent's commission and if so, the details thereof and the reasons therefor; and
- (f) whether the Government would reconsider the issue of LIC Agents being affected due to the above provisions and if so, the details thereof and the time by the which the further steps likely to be taken in this direction?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI PANKAJ CHAUDHARY)

Reply (a) to (f): Insurance companies including LIC of India follow various principles in designing their products which inter-alia include regulatory prescriptions, actuarial analysis, past claim experience and accordingly decide on entry age, sum assured, premium, bonus, commission etc. Insurance companies being regulated commercial entities have flexibility to decide on all these matters, in alignment with regulatory guidelines issued by IRDAI and their Board approved underwriting policy.

While, for LIC's New Endowment Plan, the maximum age at entry was modified from 55 years to 50 years, many of LIC's products such as Nivesh Plus, Single Premium Endowment Plan, Jeevan Akshay, New Jeevan Amar, Pension plus etc. have maximum age at entry beyond 50 years. At the same time, LIC continues to offer products such as Micro Bachat with minimum Sum Assured of Rs. 1 lakh to cater to the needs of poor people including those in rural India. Similarly, in another product namely Single Premium Endowment Plan, the minimum Sum

Assured is Rs. 1 lakh. Hence, a range of products are made available by LIC to cater to diversified needs of our citizens.

IRDAI has issued IRDAI (Insurance Products) Regulations, 2024 dated 20.03.2024 and Master Circular on Life Insurance Products dated 12.06.2024 which inter-alia, have introduced Special Surrender Value to be paid in case a policy is cancelled after 1 year. Accordingly, in compliance, LIC has modified the commission structure for agents in such a way that first year commissions have been reduced slightly whereas commission for subsequent year, from 4th to 6th years, have been increased. Also, LIC has not issued any instruction regarding clawback of commission.

Further, it is to be noted that bonus is declared by LIC out of available surplus on pooling basis after considering factors such as smoothening of the bonus rates over the years, cross subsidy between policies of various ticket size, Policyholders' Reasonable Expectations (PRE) and Treating Customers Fairly (TCF). Despite fluctuations in investment experience and claims experience, bonus rates are not frequently changed and are generally kept consistent on year to year basis.
